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ES/MI # 325

27 June 1983

MEMORANDUM FOR: See Distribution

SUBJECT : Meetings

Type of Meeting	:	SIG-IEP
Date	:	Thursday, 30 June
Time	:	1:00 - 2:00
Place	:	Roosevelt Room
Chaired By	:	Secretary Regan
Principal Only?	:	Plus one
Subject/Agenda	:	UNC PAD VI UNCTAD VI

When to Expect Papers	:	State will provide the papers
Time Info Received	:	Per Sonya, Dept. of the Treasury, 12:55

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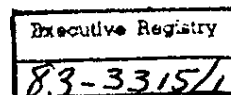
Executive Secretary
7/15/83
Date



OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

July 14, 1983



CDI- 5744-83

UNCLASSIFIED

(With Confidential Attachment)

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
~~DIRECTOR~~ OF CENTRAL INTELLIGENCE
DIRECTOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

SUBJECT Senior Interdepartmental Group on International
Economic Policy (SIG-IEP)

Attached are the minutes of the SIG-IEP meeting held on
June 30th.

David E. Pickford
Executive Secretary

Attachment

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SENIOR INDEPARTMENTAL GROUP - INTERNATIONAL ECONOMIC POLICY

June 30, 1983
1:00 p.m.
Roosevelt Room

Attendees:

Treasury
Secretary Regan
Charles Dallara

CIA

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Office of the Vice President
G. Philip Hughes

AID
Jay F. Morris

State
Deputy Secretary Dam
Richard McCormack
John McCarthy

USTR
Ambassador William Brock
Ambassador Michael Smith

Defense
James R. Blaker
Lt. Col William Weida

OMB
Alton Keel

Agriculture
Leo Mayer
John Hudson

CEA
Martin S. Feldstein

Commerce
Secretary Baldrige
Albert Kingon

OPD
Edwin Harper
Roger Porter

NSC
Roger Robinson
Arthur Manfredi

Secretary Regan began the meeting promptly at 1:00 p.m. The meeting was to review the UNCTAD VI meeting.

Deputy Secretary Dam introduced the issue, noting that UNCTAD had been scheduled to break up today, but was being extended. By and large, there remain large differences between the G-77 and G-B countries on most key issues, although there would be agreement on the less controversial issues.

Deputy Secretary Dam made two introductory comments:

-- We are not negotiating with the G-77 at this time, but rather the G-B countries.

-- Since we are in a negotiation, there must be movement somewhere.

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Up until now, G-B unity has been good, but now Ministers are at the meeting for its close, and this introduced uncertainty.

Deputy Secretary Dam said he wanted agreement to engage in bilateral discussions with the appropriate agencies for last minute adjustments. There was no disagreement.

The first issue for SIG-IEP decision was on the proposed International Monetary Conference. Mr. McCarthy from State noted the current UNCTAD draft referenced Williamsburg in the preamble and had only vague references in the text. Deputy Secretary Dam said he looked to Treasury for the lead on this issue. Secretary Regan noted Treasury had sent a cable to all seven Summit countries expressing firm opposition to any reference to a monetary conference. Canada and Japan strongly backed our position, Britain generally did, France and Germany had not been heard from but generally are known to back our position. We have also not heard from Italy. Secretary Regan continued that we do not want to get our hopes up that a big International Monetary Conference is in the offing. In deference to President Mitterrand, we bought modest language at Williamsburg but we did not want UNCTAD to get involved in this issue. As a fallback, Deputy Secretary Dam suggested we propose the addition of many other things from the Williamsburg communique, which would be unacceptable to everyone.

The next issue was the Common Fund. Mr. McCarthy said we had basically achieved our objectives in this area. The delegation can say we will consider ratification after we get a sufficient number of suitably structured commodity agreements and after a suitable number of other countries ratify. Secretary Regan cautioned that the delegation go no further.

The next issue was compensatory financing. Deputy Secretary Dam said here we have a problem; we must not permit any conflict with the responsibilities of the IMF. This goes to the heart of what UNCTAD is set up to do. We do not want an UNCTAD compensatory financing facility, but it is difficult to hold that it is not their business. Several delegations claim that there is nothing wrong with a study; we believe this may well present a problem depending upon the structure and conclusions, if any. The question is do we go along with a reservation or vote against it. State's recommendation was to go along with a study which does not discuss proposals. Mr. McCarthy summarized a recent options cable from the delegation which needed a quick response. One option is to go along with an "experts group" study. Another is to slow the process down with a reservation. The third, a NO vote, will lose, and we would as a by-product lose influence over the study.

USTR noted that a reservation does not show in the minutes. Since the matter was not crucial, as it would probably not surface

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for two years, we could influence the terms of reference of a study if we went along. The G-B would desert us if we voted NO. Hence, they see little harm in acquiescing.

Secretary Regan expressed concern that this is an IMF issue, which we are fighting there, and we do not want UNCTAD into it. He wants to put UNCTAD off somehow, concerned that a study will lead to results which might commit us. Mr. McCarthy reiterated that an experts group report would not be back for two or perhaps four years from now, so this puts the matter off sufficiently. Deputy Secretary Dam said we could preclude the report from making specific recommendations by shaping the terms of reference. Secretary Regan asked if there was any support for us. There is only very limited support, from Canada and Australia. Secretary Regan inquired about a fallback position. USTR suggested a NO vote. An attendee noted that no matter what we do UNCTAD was going to get involved somehow. Deputy Secretary Dam noted that a NO vote would not slow the process down. OMB noted that going along but shaping the study may not solve the problem for two reasons:

-- In two years the study will be done and we will have to contend with its results then; we will have supported it.

-- Our position in the IMF would be a problem because countries could feel we misled them at UNCTAD by supporting a study.

The consequences and merits of voting NO were discussed. A NO vote would probably result in a more radical paper, but we would have distanced ourselves from it. All agreed we would not like what the report says in two years.

A consensus built around the position that we would go along with the study, but make our concerns exceedingly clear, viz., the report is not to discuss policy options, but rather effects and implications, and the USG does not agree to support the results in advance. Secretary Regan wanted the thought included that in no way would the functioning of other international organizations, e.g., the IMF, be impeded. It was also noted that the language chartering the study must be completely neutral and not lean toward a certain result. At Deputy Secretary Dam's invitation, Secretary Regan said that Treasury would be glad to supply language for prompt cabling to the delegation.

The final issue discussed was trade in services. The consensus was that as long as UNCTAD does not take total control, at the expense of GATT, we could go along with almost anything. We will ask for a paragraph by paragraph vote on whatever language is proposed.

Deputy Secretary Dam made a closing comment that some things do get accomplished at these UNCTAD conferences.

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